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BEFORE THE ARIZONA CORPORATION COMMISSION

JEFF HATCH-MILLER
Chairman
WILLIAM A. MUNDELL
Commissioner
MARC SPITZER
Commissioner
MIKE GLEASON
Commissioner
KRISTIN K. MAYES
Commissioner

Arizona Corporation Commission
DOCKETED

FEB 15 2005

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FEB 16 2005

AZ Corporation Commission
Director Of Utilities

IN THE MATTER OF THE APPLICATION
OF SOUTHWEST GAS CORPORATION
FOR APPROVAL OF A SPECIAL GAS
PROCUREMENT AGREEMENT WITH
EUROFRESH, INC.

DOCKET NO. G-01551A-04-0890

DECISION NO. 67590

ORDER

Open Meeting
February 8 and 9, 2005
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. Southwest Gas Corporation ("Southwest") is engaged in providing natural gas service within portions of Arizona, pursuant to authority granted by the Arizona Corporation Commission.

2. On December 14, 2004, Southwest filed for Commission approval of a special gas procurement agreement ("SGPA") with Eurofresh, Inc. ("Eurofresh").

3. On January 20, 2005, in Decision No. 67521, the Commission suspended the filing for sixty (60) days.

4. Southwest has served Eurofresh under SGPAs for a number of years. Southwest currently serves Eurofresh under a SGPA approved by the Commission in Decision No. 63939 (August 6, 2001).

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1 5. Southwest's filing requests approval of the SGPA such that it would have an
2 effective date of January 1, 2005 or as directed by the Commission and be effective through
3 December 31, 2005, subject to termination on a month to month basis beyond that date.

4 6. Given the timing of the filing and subsequent suspension by the Commission,
5 action by the Commission to approve this SGPA would not occur until some time in February
6 2005 at the earliest. Southwest will already have billed Eurofresh for their January 2005 usage
7 before the Commission has acted on the proposed SGPA. Therefore, the proposed SGPA should
8 not have an effective date until February 1, 2005.

9 7. Southwest is requesting approval of the SGPA under Schedule G-30, Optional Gas
10 Service. Schedule G-30 is available to customers who can establish that bypass of Southwest is
11 economically, operationally, and physically feasible and imminent.

12 8. Eurofresh is located approximately five miles from El Paso Natural Gas Company's
13 (El Paso) interstate pipeline system. Staff has reviewed Eurofresh's usage characteristics and
14 believes that bypass is a viable option for Eurofresh. Further, Southwest has indicated that the
15 proposed SGPA is necessary to avoid such a bypass.

16 9. The proposed SGPA contains provisions recognizing that service to Eurofresh
17 could be impacted if El Paso were to issue an overpull alert or if some or all of Southwest's block
18 two El Paso pipeline capacity is recalled by California.

19 10. Southwest has indicated that it will enter into gas supply contracts for Eurofresh's
20 gas requirements which are separate from Southwest's general system supply contracts and that
21 this supply will be accounted for separately from Southwest's general system supply.

22 11. Southwest has further indicated that it will use pipeline capacity to serve Eurofresh
23 which is not needed to serve its core customers.

24 12. The specific charges for serving Eurofresh were provided to Staff under a
25 confidentiality agreement. Staff has reviewed the charges included in the proposed SGPA and
26 believes that the revenues Southwest would receive would cover its cost of serving Eurofresh.
27 However, if conditions change, it is theoretically possible that Southwest could experience a
28 negative margin from this SGPA.

1 13. As required by Schedule G-30, Southwest will credit the Purchased Gas Adjustor
2 bank balance with all upstream pipeline capacity charges collected from Eurofresh. This will
3 benefit Southwest's core customers.

4 14. Eurofresh has a viable alternative to being served by Southwest.

5 15. Staff has recommended approval of the filing.

6 16. Staff has further recommended that the effective date of the SGPA be February 1,
7 2005.

8 17. Staff has further recommended that any negative margin resulting from this
9 agreement not be recovered from other ratepayers in any future proceeding.

10 CONCLUSIONS OF LAW

11 1. Southwest is an Arizona public service corporation within the meaning of Article
12 XV, Section 2, of the Arizona Constitution.

13 2. The Commission has jurisdiction over Southwest and over the subject matter of the
14 application.

15 3. The Commission, having reviewed the application and Staff's Memorandum dated
16 January 24, 2005, concludes that it is in the public interest to approved the filing, as conditioned.

17 ORDER

18 IT IS THEREFORE ORDERED that this filing be and is hereby is approved.

19 IT IS FURTHER ORDERED that effective date of the SGPA be February 1, 2005.

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IT IS FURTHER ORDERED that any negative margin resulting from this agreement not be recovered from other ratepayers in any future proceeding.

IT IS FURTHER ORDERED that this Order shall become effective immediately.

BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION


CHAIRMAN


COMMISSIONER


COMMISSIONER


COMMISSIONER


COMMISSIONER

IN WITNESS WHEREOF, I BRIAN C. McNEIL, Executive Secretary of the Arizona Corporation Commission, have hereunto, set my hand and caused the official seal of this Commission to be affixed at the Capitol, in the City of Phoenix, this 15th day of Feb., 2005.


BRIAN C. McNEIL
Executive Secretary

DISSENT: _____

DISSENT: _____

EGJ:RGG:lhmvJG

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